

**State of California
Office of Administrative Law**

In re:
Board of Accountancy

Regulatory Action:

Title 16, California Code of Regulations

Adopt sections:

Amend sections: 80.1, 80.2, 87, 87.1

Repeal sections:

**NOTICE OF APPROVAL OF REGULATORY
ACTION**

Government Code Section 11349.3

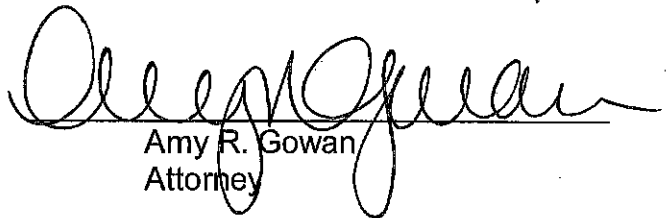
OAL Matter Number: 2017-0511-02

OAL Matter Type: Regular (S)

This action by the Board of Accountancy amends the continuing education requirements applicable to active licensees, new licensees, and licensees with converted or restored licenses to adopt specific course and hour requirements for licensees who, at their highest level of service, perform preparation engagements.

OAL approves this regulatory action pursuant to section 11349.3 of the Government Code. This regulatory action becomes effective on 10/1/2017.

Date: June 22, 2017


Amy R. Gowan
Attorney

**For: Debra M. Cornez
Director**

**Original: Patti Bowers
Copy: Pat Billingsley**

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CALIFORNIA
BOARD OF ACCOUNTANCY
SACRAMENTO

NOTICE PUBLICATION/REGULATION SUBMISSION

REGULAR

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-2016-0503-04	REGULATORY ACTION NUMBER 2017-0511-02S	EMERGENCY NUMBER
For use by Office of Administrative Law (OAL) only			
NOTICE		REGULATIONS	

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JUN 22 2017

1:49 PM

AGENCY WITH RULEMAKING AUTHORITY
California Board of Accountancy

AGENCY FILE NUMBER (if any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER 2016, 20-2	PUBLICATION DATE 5/18/2016

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Continuing Education - Preparation Engagements		1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)	
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)			
SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)		ADOPT	
TITLE(S) 16		AMEND 80.1, 80.2, 87, 87.1	
		REPEAL	
3. TYPE OF FILING			
<input checked="" type="checkbox"/> Regular Rulemaking (Gov. Code §11346) <input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4) <input type="checkbox"/> Emergency (Gov. Code, §11346.1(b)) <input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute. <input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1) <input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h)) <input type="checkbox"/> File & Print <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100) <input type="checkbox"/> Print Only			
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1) N/A			
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100) <input checked="" type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) <input type="checkbox"/> Effective on filing with Secretary of State <input type="checkbox"/> §100 Changes Without Regulatory Effect <input type="checkbox"/> Effective other (Specify) _____			
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY <input checked="" type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660) <input type="checkbox"/> Fair Political Practices Commission <input type="checkbox"/> State Fire Marshal <input checked="" type="checkbox"/> Other (Specify) Jeffrey Mason, Chief Deputy Director, Department of Consumer Affairs			
7. CONTACT PERSON Pat Billingsley		TELEPHONE NUMBER 916-561-1782	FAX NUMBER (Optional) 916-263-3675
		E-MAIL ADDRESS (Optional) pat.billingsley@cba.ca.gov	

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE

DATE

TYPED NAME AND TITLE OF SIGNATORY

Deanne Pearce, Assistant Executive Officer

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

JUN 22 2017

Office of Administrative Law

**CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
ORDER OF ADOPTION**

The California Board of Accountancy hereby amends section 80.1, 80.2, 87, and 87.1 of Division 1 of Title 16 of the California Code of Regulations as Follows:

§ 80.1 Conversion or Restoration to Active Status Prior to Renewal.

(a) A licensee who has a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by performing the following:

(1) Within the 24-month period prior to converting, or restoring, to an active status, complete 80 hours of continuing education credit as described in Section 87(a)(2) and (a)(3), including the Ethics Continuing Education Requirement described in Section 87(b). A minimum of 20 hours shall be completed in the one-year period immediately preceding conversion, or restoration, to an active status, with a minimum of 12 hours of the 20 required hours in technical subject areas described in Section 87(a)(2);

(2) complete the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course;

(3) apply to the Board in writing requesting to convert the license to an active status; and

(4) complete any continuing education that is required pursuant to subsection (k) of Section 89.

(b) A licensee with a license in an inactive or retired status may not practice public accountancy until the Board approves the application for conversion, or restoration, of the license to an active status.

(c) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

(e) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status provided preparation engagements as his/her highest level of service shall complete eight hours of continuing education in courses described in Section 87(e) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

(ef) A licensee who must complete continuing education pursuant to subsections (c), (d), and/or (de) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting

financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c), (d), or (e).

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 80.2. Continuing Education Requirements Following Conversion or Restoration to Active Status During the Renewal Period.

- (a) All continuing education required by this section must be completed on or after the date of conversion, or restoration, to active status.
- (b) Once a license is converted, or restored, to an active status, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license status conversion to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of license status conversion and the next license expiration date is less than six full months, no continuing education is required for license renewal.
- (c) Once a license is converted, or restored, to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).
- (d) Once a license is converted, or restored, to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license status conversion, or restoration, and the license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
- (e) Once a license is converted, or restored, to an active status, a licensee who provides preparation engagements as his/her highest level of service at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).
- (f) If a license expired as defined in Section 81(b)(2) after the expiration date immediately following conversion to active status, the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education in order to renew. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(1) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date the licensee applies for license renewal is less than two years from the date of license status conversion, all continuing education must be completed on or after the date of license status conversion.

(2) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this subsection shall also complete, as a part of the 80 hours, the following: (A) Four hours of ethics education pursuant to Section 87(b).

(B) If the licensee is subject to the continuing education requirements of subsection (c), (d), or (de), four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall not be part of the continuing education required by subsection (c), (d), or (de).

(fg) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 87. Basic Requirements.

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section

89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (b), regulatory review as defined in Section 87.8, computer and information technology (except for

word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following non-technical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or

fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(b) Ethics Continuing Education Requirement

A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. ~~If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.~~

(e) Accounting and Auditing Continuing Education Requirement When Providing Preparation Engagements as Highest Level of Service.

A licensee who provided preparation engagements as his/her highest level of service shall complete eight hours of the 80 hours of continuing education required pursuant to subsection (a) in preparation engagements or accounting and auditing as described in Section 87(d).

(ef) A licensee who must complete continuing education pursuant to subsections (c), (d), and/or ~~(de)~~ of this section shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting

of fraud affecting financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c), (d), or ~~(de)~~.

(fg) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026, 5027, 5028 and 5051.

§ 87.1. Continuing Education Requirements for New Licensees.

(a) All continuing education must be completed on or after the date the initial license was issued.

(b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.

(c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).

(d) Once a license is issued, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).

(e) Once a license is issued, a licensee who engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

(f) Once a license is issued, a licensee who provided preparation engagements as his/her highest level of service at any time between the date the initial license was issued and the first license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).

(fg) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d), (e), or (ef) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d), (e) or (ef).


(gh) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(hi) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.

(ij) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5028.


PATTI BOWERS
Executive Officer
California Board of Accountancy

CALIFORNIA BOARD OF ACCOUNTANCY

FINAL STATEMENT OF REASONS

Hearing Date: July 21, 2016

Subject Matter of Proposed Regulations: Continuing Education (CE) – Preparation Engagements

Section Affected: 80.1, 80.2, 87, and 87.1

Updated Information

The Initial Statement of Reasons is included in the file. No changes have been made which would warrant a change to the informative digest contained in the original notice for Sections 80.1, 80.2, 87, and 87.1.

The proposed text attached to the original notice contained a non substantive clerical error in Section 87.1(e), where the last sentence was underlined in error. The Order of Adoption addresses this error and reflects the corrected language.

Local Mandate

A mandate is not imposed on local agencies or school districts.

Small Business Impact

This action will not have a significant adverse economic impact on small businesses. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects and does not add to the total hours required. Costs associated with changes to CE should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Anticipated Benefits

The anticipated benefits of this regulatory proposal are: Requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or accounting and auditing (A&A) and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the California Board of Accountancy (CBA) in its mission of consumer protection by ensuring these licensees maintain their professional competency.

Consideration of Alternatives

No reasonable alternative which was considered or that has otherwise been identified

and brought to the attention of the CBA would be more effective in carrying out the purpose for which it was proposed or would be as effective and less burdensome to affected private persons than the adopted regulation or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

- The first alternative considered was to maintain the status quo. The CBA rejected this alternative because as a new level of service, a preparation engagement is closely related to accounting and auditing work, and in the CBA's expertise, requires CE to maintain competency in that service.
- The second alternative considered was to require the same level of CE as is required of those who perform attest services (24 hours of CE in A&A). The CBA rejected this alternative because a preparation engagement is a lower level of service requiring fewer hours of CE in order to maintain professional competency. Requiring more hours would have been unnecessary.

Objections or Recommendations/Responses

There were no objections or recommendations regarding the proposed action.